PART C

Agency Budget Statements

Department of the Treasury

Section 1: Overview, appropriations and budget measures summary

Department overview

The Department of the Treasury seeks to promote a sound macroeconomic environment; effective government spending and taxation arrangements; and well functioning markets, by providing sound and timely advice to the Government and assisting Treasury Ministers in the administration of their responsibilities and in the implementation of Government decisions.

Appropriations

The total appropriations for the Department of the Treasury in the 2002-03 Budget are $32,356.8 million. Table 1.1 on the following page shows the total by administered appropriations, price of output appropriations and administered capital.

Department of the Treasury — appropriations 2002-03

Table 1.1: Appropriations and other revenue ($'000)

Outcome	Departmental (price of outputs) ($'000)					Administered ($'000)				($'000)
	Revenue from government (appropriations)			Revenue from other sources[4]	Price of outputs[3]	Annual appropriations ($'000)		Special appropriations[5]	Total administered appropriations	Total appropriations
	Bill No. 1	Special approps[5]	Total			Bill No. 1	Bill No. 2 (SPPs & NAOs)[2]			
	(A)	(B)	(C = A+B)	(D)	(E = C+D)	(F)	(G)	(H)	(I = F+G+H)	(J=C+I)
			(C1)[1]		(E1)[1]				(I1)[1]	
Outcome 1 — Sound macroeconomic environment	18,928	-	18,928	431	19,359	-	-	25,717	25,717	44,645
Outcome 2 — Effective government spending and taxation arrangements	49,791	-	49,791	971	50,762	-	44,702	31,860,998	31,905,700	31,955,491
Outcome 3 — Well functioning markets	30,065	-	30,065	45,522	75,587	11,000	153,084	-	164,084	194,149
			68%	32%	100%					
Total	98,784	-	(K1)[1] 98,784	46,924	145,708	11,000	197,786	31,886,715	(K2)[1] 32,095,501	32,194,285
Departmental capital (equity injections and loans)										-
Administered capital (includes administered capital special appropriations)									(K3)[1]	162,555
Total appropriations										32,356,840

1. C1, E1 and I1 refer to information provided in Table 2.1.1, Table 2.1.2 and Table 2.1.3 respectively. K1 and K2 refer to information provided in Table 3.1 and Table 3.7 respectively. K3 refers to information provided in Table 3.10.
2. Under the appropriation structure, Bill No. 2 includes Specific Purpose Payments (SPP's), New Agency Outcomes (NAO's) and administered capital.
3. Refer to Budgeted Statement of Financial Performance in Table 3.1 for application of agency revenue.
4. Revenue from other sources includes revenue from sources other then government (for example, sales of goods and services). Departmental and administered revenues are detailed in Appendix 1.
5. Estimated expenses from individual special appropriations are shown in Appendix 2.

Note: Percentage figures indicate the percentage contribution of revenue from government (departmental appropriations) to the total price of outputs.

MEASURES — DEPARTMENT SUMMARY

Table 1.2: Summary of measures disclosed in the 2002-03 Budget

Measure	utcome	Output Groups affected	Appropriations budget 2002-03 ($'000)			Appropriations forward estimate 2003-04 ($'000)			Appropriations forward estimate 2004-05 ($'000)			Appropriations forward estimate 2005-06 ($'000)		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
Establishment of the Office of the Inspector General of Taxation	2	2.1	-	2,000	2,000	-	2,000	2,000	-	2,000	2,000	-	2,000	2,000
Intergovernmental Agreement - enhanced resources for GST administration - Reduction in Budget Balancing Assistance	2	2.1	19,472	-	19,472	(15,554)	-	(15,554)	(8,399)	-	(8,399)	(3,375)	-	(3,375)
Reduction in Budget Balancing Assistance as a result of not indexing petroleum Revenue Replacement Payments forgone	2	2.1	(139,043)	-	(139,043)	(165,131)	-	(165,131)	(173,275)	-	(173,275)	(266,495)	-	(266,495)
Reduction in Budget Balancing Assistance resulting from the National Excise Scheme for Low Alcohol Beer	2	2.1	(62,900)	-	(62,900)	(59,543)	-	(59,543)	(57,982)	-	(57,982)	(61,263)	-	(61,263)

Table 1.2: Summary of measures disclosed in the 2002-03 Budget (continued)

Measure	Outcome	Output Groups affected	Appropriations budget 2002-03 ($'000)			Appropriations forward estimate 2003-04 ($'000)			Appropriations forward estimate 2004-05 ($'000)			Appropriations forward estimate 2005-06 ($'000)		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
United Medical Protection (UMP)/Australasian Medical Insurance Ltd (AMIL) insolvency adviser	2	3.1	-	2,000	2,000	-	-	-	-	-	-	-	-	-
United Medical Protection (UMP)/Australasian Medical Insurance Ltd (AMIL) guarantee	2	3.1	*	-	*	*	-	*	*	-	*	*	-	*

* The nature of the measure is such that a reliable estimate cannot be provided.

ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The Department of the Treasury will receive administered capital appropriations of $162.555 million in 2002-03. Of this amount $155.225 million is funded through special appropriations and $7.330 million through Appropriation Bill No. 2. These capital appropriations relate to financial assets. See Table 3.10.

The special appropriation amount relates to capital payments for the Asian Development Bank and the HIH Assistance Scheme. The Appropriation Bill No. 2 item relates to capital payments to the European Bank for Reconstruction and Development and Australia's contribution to the International Monetary Fund's Poverty Reduction and Growth Facility.

The Department of the Treasury will receive no departmental equity injection or loan in 2002-03.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

The map on the following page shows the relationship between Government outcomes and the contributing outputs for the Department of the Treasury. Financial details for Outcomes 1, 2 and 3, by output, appear in Tables 2.1.1, 2.1.2 and 2.1.3 respectively, while non-financial information for the three outcomes appear in Tables 2.2.1, 2.2.2 and 2.2.3 respectively.

Map 2: Outcomes and output groups

Department of the Treasury

Secretary: Dr Ken Henry

Total price of outputs:	$145.7 million
Departmental outcomes appropriation:	$98.8 million
Total administered appropriations:	$32,095.5 million

Overall outcome

Strong, sustainable economic growth and the improved wellbeing of Australians

Outcome 1

Sound macroeconomic environment

Total price of outputs:	$19.4 million
Dept outputs appropriation:	$18.9 million
Administered appropriations:	$25.7 million

Output Group 1.1

Economic

- Output 1.1.1 Domestic economic policy advice and forecasting
- Output 1.1.2 International economic policy advice and assessment

Outcome 2

Effective government spending and taxation arrangements

Total price of outputs:	$50.8 million
Dept outputs appropriation:	$49.8 million
Administered appropriations:	$31,905.7 million

Output Group 2.1

Budget

- Output 2.1.1 Budget policy advice and coordination
- Output 2.1.2 C'wealth - State financial policy advice
- Output 2.1.3 Industry policy advice
- Output 2.1.4 Taxation and income support policy advice

Outcome 3

Well functioning markets

Total price of outputs:	$75.6 million
Dept outputs appropriation:	$30.1 million
Administered appropriations:	$164.1 million

Output Group 3.1

Markets

- Output 3.1.1 Foreign investment policy advice and administration
- Output 3.1.2 Financial system and markets policy advice
- Output 3.1.3 Business and consumer policy advice
- Output 3.1.4 Actuarial services
- Output 3.1.5 Circulating coin and like products

CHANGES TO OUTCOMES AND OUTPUTS

The Actuarial services output, previously under Outcome 2 (output 2.1.5), has been moved to Outcome 3 (output 3.1.4). This is to more accurately reflect the services provided by the Australian Government Actuary.

Sub-output 2.1.4 has been expanded to include taxation legislation functions previously located within the Australian Taxation Office (ATO).

The taxation legislative design function will be transferred from the ATO to the Department of the Treasury with effect from 1 July 2002.

OUTCOME 1 — DESCRIPTION

Sound macroeconomic environment

A sound macroeconomic environment is an essential foundation for strong sustainable economic growth and the improved wellbeing of Australians. The Department of the Treasury provides ongoing policy advice to Treasury portfolio Ministers to assist them in developing and implementing policies to achieve this outcome.

A sound macroeconomic environment is characterised by stable prices, low interest rates, healthy economic and employment growth and a sustainable external position. As there are many influences on macroeconomic outcomes beyond the control of the Government, policy is aimed at improving the prospects for the Australian economy, rather than targeting specific outcomes for major economic indicators. Success is judged more by medium-term to long-term performance relative to Australia's past and to other countries, than by particular results in any year.

Measures affecting Outcome 1

There are no measures affecting Outcome 1 in the 2002-03 Budget.

OUTCOME 1 — RESOURCING

Table 2.1.1 shows how the 2002-03 appropriations translate to total resourcing for Outcome 1, including administered expenses, revenue from government (appropriation), revenue from other sources, and the total price of outputs.

Table 2.1.1: Total resources for Outcome 1 ($'000)

	Estimated actual 2001-02 $'000		Budget estimate 2002-03 $'000
Administered appropriations			
Special appropriations			
International Monetary Agreements Act 1947	28,277		25,717
Total administered expenses	28,277	(I1)[1]	25,717
Departmental appropriations			
Output Group 1.1 - Economic			
Output 1.1.1 - Domestic economic policy advice and forecasting	8,210		7,504
Output 1.1.2 - International economic policy advice and assessment	12,267		11,424
Total revenue from government (appropriations)	20,477	(C1)[1]	18,928
Contributing to price of departmental outputs	97%		98%
Revenue from other sources			
Output Group 1.1 - Economic			
Output 1.1.1 - Domestic economic policy advice and forecasting	240		189
Output 1.1.2 - International economic policy advice and assessment	289		242
Total revenue from other sources	529		431
Total price from departmental outputs (Total revenue from government and from other sources)	21,006	(E1)[1]	19,359
Administered capital (includes administered capital special appropriations)	16,268		11,986
Total estimated resourcing for Outcome 1 (Total price of outputs and administered appropriations)	65,551		57,062

	2001-02	2002-03
Average staffing level (number)	132	126

(1) C1, E1 and I1 show the links back to Table 1.1.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The Department of the Treasury aims to contribute to a sound macroeconomic environment by monitoring and assessing economic conditions and prospects, both in Australia and overseas, and by providing advice on the formulation and implementation of effective macroeconomic policy, including monetary and fiscal policy, and labour market issues.

The Department of the Treasury provides advice on advancing Australia's interests at international fora such as the International Monetary Fund, the World Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Group of Twenty, the Organisation for Economic Cooperation and Development, Asia-Pacific Economic Cooperation, the Financial Stability Forum, the Manila Framework Group, and the Pacific Islands Forum Economic Ministers' Meeting. Australia is making a significant contribution to international efforts to sustain international economic stability and growth through these fora. The Department of the Treasury also provides bilateral financial and technical assistance in support of economic reform and strengthened economic governance, in particular to Papua New Guinea.

The effectiveness of the Department of the Treasury's contribution to a sound macroeconomic environment is judged primarily by feedback from Treasury portfolio Ministers on the quality and relevance of advice.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2.1: Performance information for Outcome 1

Performance information for administered items (including third party outputs)	
Subscriptions to international financial institutions	Facilitation of achievement of government objectives in international fora, including strengthening the international financial system, multilateral debt relief and institutional reform in the multilateral development banks.
Performance information for departmental outputs	
Output Group 1.1 - Economic	
Output 1.1.1 - Domestic economic policy advice and forecasting	Advice on economic policy and the economic outlook meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions that contribute to a sound domestic economy. Effective presentation of budget documents and other publications to adequately inform public debate.
Output 1.1.2 - International economic policy advice and assessment	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions relating to international economic and financial issues.

EVALUATIONS

Feedback will be sought from key clients on a regular basis on the effectiveness of policy advice.

OUTCOME 2 — DESCRIPTION

Effective government spending and taxation arrangements

Government spending and taxation arrangements contribute to the overall fiscal outcome but also have their own influence on the goal of strong sustainable economic growth and the improved wellbeing of Australians.

Spending measures should be effective in meeting their stated objectives, minimise other behavioural distortions and deliver value for money. Taxation measures should meet revenue objectives (or other public policy objectives) and have regard to the principles of economic efficiency, horizontal and vertical equity, certainty and transparency whilst minimising compliance and administrative costs. By meeting these aims, taxation measures contribute to the wellbeing of Australians, either directly or by providing the revenue base to finance government services.

Policy advice to Treasury portfolio Ministers promotes Government decisions which further these objectives and thereby contribute to this outcome.

Measures affecting Outcome 2

Establishment of the Office of the Inspector General of Taxation

The Government will provide funding of $8 million over four years to create an Office of the Inspector General of Taxation to provide advice to Government on tax administration and to act as an advocate for all taxpayers. This position will report to the Parliament through the Treasurer and will provide a new source of independent advice.

Intergovernmental Agreement — enhanced resources for GST administration — Reduction in Budget Balancing Assistance

The Government has accepted the recommendation of the independent pricing review of the Australian Taxation Office (ATO) for additional funding for tax administration functions, including GST administration.

Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Arrangements*, all GST revenue is provided to the States and Territories (the States) and collected on their behalf on a fee for service basis by the ATO.

The Commonwealth and the States at the Ministerial Council meeting of 22 March 2002 agreed additional funding will be provided to the ATO to manage greater than anticipated GST workloads and to enhance small business (goods and services tax) field services and compliance capabilities (identified by the independent pricing review as an area warranting further investment). The States pay the Commonwealth for these costs.

Under the Intergovernmental Agreement, agreed GST administration costs are included as a component of each State's Guaranteed Minimum Amount (GMA). For each State, where that State's share of GST revenue is less than the GMA, the Commonwealth pays Budget Balancing Assistance (BBA). The combined effect of the additional GST revenue available to the States from the increased ATO funding, and the change in the States' GMA as a result of administration costs determines the variation in the BBA required to be paid by the Commonwealth to the States.

Further details may be found in *Budget Paper No. 3*.

See also the related expense measure titled *Intergovernmental Agreement — enhanced resources for GST administration* and the revenue measure titled *Additional reimbursements from the States and Territories* in the Treasury portfolio in *Budget Paper No. 2*.

Reduction in Budget Balancing Assistance as a result of not indexing petroleum Revenue Replacement Payments forgone

From 1 July 2002, indexation will not be included in the calculation of petroleum Revenue Replacement Payments forgone, a component of each State's Guaranteed Minimum Amount (GMA). The adjustment is consistent with the Commonwealth Government's decision of March 2001 to abolish indexation of fuel excise rates.

This adjustment will have the effect of lowering each State's GMA which reduces the amount of Budget Balancing Assistance paid by the Commonwealth to the States in 2002-03 and the forward estimates.

Further details may be found in *Budget Paper No. 3*, and the Treasurer's press release of 22 March 2002.

Reduction in Budget Balancing Assistance resulting from the National Excise Scheme for Low Alcohol Beer

At the meeting of the Ministerial Council for Commonwealth-State Financial Relations on 22 March 2002, the Commonwealth and the States and Territories (the States) agreed to implement a National Excise Scheme For Low Alcohol Beer from 1 July 2002. The scheme will replace a range of existing State subsidies with a nationally uniform and administratively efficient concession in the rate of excise on low alcohol beer.

The Commonwealth will deduct from each State's Budget Balancing Assistance (BBA) an amount commensurate with its current subsidies, indexed for inflation, for as long as each State continues to receive BBA. After the transition period, when all States no longer require BBA, the Commonwealth will be fully funding the Scheme.

Further details may be found in *Budget Paper No. 3*, and the Treasurer's press release of 22 March 2002. See also the related revenue measure titled *National Excise Scheme for Low Alcohol Beer* in the Treasury portfolio in *Budget Paper No. 2*.

OUTCOME 2 — RESOURCING

Table 2.1.2 shows how the 2002-03 appropriations translate to total resourcing for Outcome 2, including administered expenses, revenue from government (appropriation), revenue from other sources, and the total price of outputs. The total resources for 2002-03 include the taxation legislation functions previously located within the ATO.

Table 2.1.2: Total resources for Outcome 2 ($'000)

	Estimated actual 2001-02 $'000		Budget estimate 2002-03 $'000
Administered appropriations			
Annual appropriations			
Australian Capital Territory - special revenue assistance	14,200		14,700
Additional First Home Owners Scheme	337,458		30,002
Special appropriations			
A New Tax System (Commonwealth-State Financial Arrangements) Act 1999	31,442,076		31,860,998
Total administered expenses	31,793,734	(I1)[1]	31,905,700
Departmental appropriations			
Output Group 2.1 - Budget			
Output 2.1.1 - Budget policy advice and coordination	4,565		3,959
Output 2.1.2 - Commonwealth-State financial policy advice	3,038		1,952
Output 2.1.3 - Industry policy advice	2,519		2,180
Output 2.1.4 - Taxation and income support policy advice	21,474		41,700
Total revenue from government (appropriations)	31,596	(C1)[1]	49,791
Contributing to price of departmental outputs	98%		98%
Revenue from other sources			
Output Group 2.1 - Budget			
Output 2.1.1 - Budget policy advice and coordination	133		101
Output 2.1.2 - Commonwealth-State financial policy advice	63		48
Output 2.1.3 - Industry policy advice	74		56
Output 2.1.4 - Taxation and income support policy advice	442		765
Total revenue from other sources	712		971
Total price from departmental outputs (Total revenue from government and from other sources)	32,308	(E1)[1]	50,762
Total estimated resourcing for Outcome 2 (Total price of outputs and administered appropriations)	31,826,042		31,956,462

	2001-02	2002-03
Average staffing level (number)	232	369

(1) C1, E1 and I1 show the links back to Table 1.1.

OUTCOME 2 — CONTRIBUTION OF OUTPUTS

Effective government spending and taxation arrangements are crucial to achieving the Government's objectives for the economy and the wellbeing of Australians. Ongoing advice to the portfolio Ministers from the Department of the Treasury assists in formulating, implementing and explaining government spending and taxation decisions which meet this objective.

More specifically, in the coming year the Department of the Treasury will provide advice on:

- budget policies, including arrangements for the distribution of resources between the Commonwealth and other levels of government, which are consistent with sustainable public finances and macroeconomic objectives;

- government expenditure programmes, with a focus on those programmes with significant economic or budgetary implications;

- taxation policies and legislative design proposals which contribute to the reform of the Australian taxation system in terms of efficiency, equity and administrative simplicity;

- policies to promote the efficient and sustainable use of resources and to improve the competitiveness and productivity of Australian industries, thereby promoting higher levels of sustainable economic growth; and

- development and implementation of policies relating to retirement incomes, including superannuation and the age pension, and other income support arrangements intended to promote the wellbeing of Australians.

At present, the Department of the Treasury is devoting significant resources to the implementation of the Government's business taxation reform agenda and the implementation of superannuation election commitments. Priority is also being given to the Government's review of international tax arrangements.

From 1 July 2002, responsibility for the design of taxation legislation will be transferred from the ATO to the Department of the Treasury.

The effectiveness of the contribution of these outputs to the outcome will be gauged primarily in terms of feedback from Treasury portfolio Ministers as to whether advice meets their needs in formulating, implementing and explaining government spending and taxation decisions.

PERFORMANCE INFORMATION FOR OUTCOME 2

Table 2.2.2: Performance information for Outcome 2

Performance information for administered items (including third party outputs)	
Payments to State and Territory Governments	Accurate calculation of amounts payable according to agreed formulae. Payments made according to agreed schedules.
Performance information for departmental outputs	
Output Group 2.1 - Budget	
Output 2.1.1 - Budget policy advice and coordination	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing Government decisions as they relate to assessments of the budget position and outlook, and budget strategy. Effective presentation of budget documents for which Treasury has responsibility and other publications to adequately inform public debate.
Output 2.1.2 - Commonwealth-State financial policy advice	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing Government decisions as they relate to Commonwealth-State financial relations. Effective presentation of relevant information, including in the budget documentation and other publications to adequately inform public debate.
Output 2.1.3 - Industry policy advice	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing Government decisions as they relate to industry policy. Effective presentation of relevant information to adequately inform public debate.
Output 2.1.4 - Taxation and income support policy advice	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing Government decisions relating to taxation and income support policy. Effective presentation of relevant information, including in the budget documentation and other publications to adequately inform public debate. Legislation delivered according to government programmes.

EVALUATIONS

Feedback will be sought from key clients on a regular basis on the effectiveness of policy advice and payments to State and Territory Governments. Results of evaluations will be presented, as appropriate, in the Department of the Treasury's Annual Report.

OUTCOME 3 — DESCRIPTION

Well functioning markets

Well functioning markets contribute to the achievement of high sustainable economic and employment growth and the wellbeing of Australians, by enabling resources to flow to those parts of the economy where they can be used most productively. Well functioning markets operate when investors and consumers have confidence and certainty about the regulatory framework and are able to make decisions that are well informed and free of market distortions and impediments.

The Department of the Treasury provides advice on policy processes and reforms that promote a secure financial system and sound corporate practices, remove impediments to competition in product and services markets and safeguard the public interest in matters such as consumer protection and foreign investment.

Measures affecting Outcome 3

United Medical Protection (UMP)/ Australasian Medical Insurance Ltd (AMIL) insolvency adviser

The Government will provide funding of $2 million to engage external experts (for example legal and insolvency experts and appropriate actuarial advisers) to assist the Government in relation to the issues surrounding United Medical Protection (UMP) and its wholly owned subsidiary Australasian Medical Insurance Limited (AMIL).

See related expense measure titled *United Medical Protection (UMP)/Australasian Medical Insurance Ltd (AMIL) guarantee.*

United Medical Protection (UMP)/ Australasian Medical Insurance Ltd (AMIL) Guarantee

The Government has written to members insured by United Medical Protection/Australasian Medical Insurance Limited (UMP/AMIL) stating that the Commonwealth will guarantee to the provisional liquidator, or to any other subsequently appointed liquidator, the obligations of UMP/AMIL to pay any amount properly payable in the period 29 April to 30 June 2002 in respect of claims under a current or past policy. The Commonwealth has stated that it will also provide a guarantee to the provisional liquidator or to any subsequently appointed liquidator to enable the provision of cover in respect of valid claims that arise at any time for: holders of a current policy, for events that occur between 29 April and 30 June 2002; and holders of a policy that expires and is renewed by the provisional liquidator between 29 April and 30 June 2002, for insured events that occur before 30 June 2002. These proposed guarantees will apply to the extent that the provisional liquidator is unable to meet UMP/AMIL's obligations under these policies from UMP/AMIL's assets. The Government will ensure that these proposed guarantees are contractually binding on future governments, and will legislate to confirm the effect of the proposed guarantees.

OUTCOME 3 — RESOURCING

Table 2.1.3 shows how the 2002-03 appropriations translate to total resourcing for Outcome 3, including administered expenses, revenue from government (appropriation), revenue from other sources, and the total price of outputs.

Table 2.1.3: Total resources for Outcome 3 ($'000)

	Estimated actual 2001-02 $'000		Budget estimate 2002-03 $'000
Administered appropriations			
Annual appropriations			
Compensation - companies regulation	147,622		153,084
Housing Loans Insurance Company Limited			
- payments in respect of insurance claims	12,000		11,000
Total administered expenses	159,622	(I1)[1]	164,084
Departmental appropriations			
Output Group 3.1 - Markets			
Output 3.1.1 - Foreign investment policy advice and administration	3,676		3,373
Output 3.1.2 - Financial systems and markets policy advice	24,362		19,993
Output 3.1.3 - Business and consumer policy advice	7,298		6,699
Output 3.1.4 - Actuarial services	-		-
Output 3.1.5 - Circulating coin and like products	-		-
Total revenue from government (appropriations)	35,336	(C1)[1]	30,065
Contributing to price of departmental outputs	35%		40%
Revenue from other sources			
Output Group 3.1 - Markets			
Output 3.1.1 - Foreign investment policy advice and administration	106		83
Output 3.1.2 - Financial systems and markets policy advice	548		351
Output 3.1.3 - Business and consumer policy advice	187		147
Output 3.1.4 - Actuarial services	960		1,059
Output 3.1.5 - Circulating coin and like products	65,323		43,882
Total revenue from other sources	67,124		45,522
Total price from departmental outputs			
(Total revenue from government and from other sources)	102,460	(E1)[1]	75,587
Administered capital (includes administered capital special appropriations)	92,691		150,569
Total estimated resourcing for Outcome 3			
(Total price of outputs and administered appropriations)	354,773		390,240

	2001-02	2002-03
Average staffing level (number)*	320	300

(1) C1, E1 and I1 show the links back to Table 1.1.
* Average staffing level includes Royal Australian Mint.

OUTCOME 3 — CONTRIBUTION OF OUTPUTS

The Department of the Treasury provides advice to portfolio Ministers to assist them in carrying out their responsibilities in formulating, implementing and explaining the policies needed to achieve well functioning markets — markets that are competitive, efficient, informed, fair and transparent.

Advice is provided to the Government on foreign investment proposals and on general foreign investment policy matters, including Australia's participation in multilateral and bilateral agreements on investment. In addition, awareness and understanding of the Government's foreign investment policy is fostered in the community and in the business sector, both in Australia and overseas, and compliance with policy is monitored.

In relation to the financial system, the Department of the Treasury provides policy advice on the legislative framework for prudential supervision of financial institutions (including in the areas of banking, insurance and superannuation) by the Australian Prudential Regulation Authority and other regulation of those institutions. It monitors issues and developments in the financial sector, and provides advice on their policy implications. In 2002-03, the Department will continue to provide advice on policy issues emerging in the general insurance sector and options to improve the safety of superannuation.

The Department of the Treasury is responsible for administering the Government's programme to promote Australia as a financial centre, through Axiss Australia.

The Department of the Treasury participates with other government departments and agencies in formulating policy for the progress of structural reform in key sectors of the economy, including energy, transport and communications. The Department of the Treasury is responsible for providing advice on competition policy matters, monitoring the effectiveness of the competition, consumer protection and pricing provisions in the *Trade Practices Act 1974* and the *Prices Surveillance Act 1983*, and advising on legislative amendments. In 2002-03, the Government will undertake a review of the competition provisions of the Trade Practices Act and their administration.

In the coming year, the Government will monitor the transition into the new system of financial services regulation, which commenced on 11 March 2002, and will consult on and develop options for a compensation regime to support the new framework. The Government will continue to develop reforms to ensure that Australia's regulatory framework remains at the cutting edge of world's best practice.

The Department of the Treasury will provide advice on possible reforms covering independence of auditors as well as issues surrounding directors' duties and corporate governance more broadly. Advice will also be provided to government on possible reforms to Australia's corporate insolvency.

The Department of the Treasury will continue to progress reforms to reduce the paper compliance burden on Australian companies and enable the Australian Securities and Investments Commission to make greater use of communications technology. It is proposed that fees currently levied under the Corporations Law will be altered as part of this process.

The Department of the Treasury will continue to provide secretariat services to the Financial Reporting Council, which is responsible for overseeing Australia's accounting standard setting arrangements.

There will be ongoing involvement in progressing international cooperation — particularly in the Asian region — in financial market regulation, corporate governance, financial reporting and corporate insolvency. A priority in this regard will be bilateral efforts to promote the harmonisation of national regulatory frameworks covering financial products and service providers.

Consumer affairs policy advice will be directed to the continuing implementation of government commitments on consumer affairs. This includes promoting effective self-regulation, particularly in the context of electronic commerce. Consumer protection interests will also be promoted through the *Trade Practices Act 1974*, dissemination of consumer information and advice and actions to ensure the safety of consumer products.

The Department of Treasury will continue to provide policy advice to the Government relating to the HIH Assistance Scheme.

The Australian Government Actuary (AGA) will provide services relating to financial matters: for example, benefits depending on contingencies such as injury, death or retirement. The AGA also aids departments and agencies on policy development in areas where it has specialist expertise.

The Royal Australian Mint (RAM) is an operating division of the Department of the Treasury, with responsibility for producing circulating and numismatic coin for Australia. The Department of the Treasury will continue to chair the RAM Advisory Board and also provide advice relating to the currency system.

PERFORMANCE INFORMATION FOR OUTCOME 3

Table 2.2.3: Performance information for Outcome 3

Performance information for administered items (including third party outputs)	
Compensation - companies regulation payments to the States and the Northern Territory	Amounts payable, according to agreed formulae, are accurately calculated. Payments are made according to agreed schedules.
Performance information for departmental outputs	
Output Group 3.1 - Markets	
Output 3.1.1 - Foreign investment policy advice and administration	Treasury advice meets portfolio Ministers' needs in fulfilling their responsibilities. Government policy is appropriately represented and Australia's negotiating position is pursued effectively in international fora. Proposals are processed efficiently to meet the needs of Ministers, the Foreign Investment Review Board, foreign investors and their agents. Performance is currently regarded as satisfactory if: - around 90 per cent of the roughly 4,500 proposals received each year are processed within 30 days of receipt of a completed application; and - responses are provided on average within 5 days to around 40,000 general telephone and mail inquiries each year. Treasury effectively disseminates and explains the foreign investment policy to improve the standard of applications and compliance with policy requirements so as to continue to reduce the proportion of foreign investment proposals requiring Interim or Final Orders. Treasury undertakes a programme of compliance checks on previous proposals subject to conditions — possible leading to prosecutions, but aimed at an overall reduction in non-compliance with policy.

Table 2.2.3: Performance information for Outcome 3 (continued)

Output 3.1.2 - Financial system and markets policy advice	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to financial system and markets issues. Effective presentation of relevant information to adequately inform public debate. Statutory and other procedural requirements are met. Secretariat services provided to advisory bodies are effective. Representation and/or liaison by Treasury officers with other agencies, private sector organisations and international bodies, is assessed by participants as effective.
Output 3.1.3 - Business and consumer policy advice	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to business and consumer affairs policy. Implementation of Axiss Australia programme achieves intended results. Effective presentation of relevant information to adequately inform public debate. Statutory and other procedural requirements are met. Secretariat services provided to advisory bodies are effective. Representation and/or liaison by Treasury officers with other agencies, private sector organisations and international bodies, is assessed by participants as effective. Progress in providing effective and relevant consumer information and mechanisms to promote consumer protection in areas of product safety and support effective self-regulation in the marketplace.

Table 2.2.3: Performance information for Outcome 3 (continued)

Output 3.1.4 - Actuarial services	Efficient provision of high quality professional services, with income from consultancy fees relative to total costs meeting specified quantitative criteria.
Output 3.1.5 - Circulating coin and like products	Advice meets Treasury portfolio Ministers' needs in administering their responsibilities and implementing government decisions as they relate to coinage and Royal Australian Mint operations. Effective presentation of relevant information to adequately inform public debate. Statutory and other procedural requirements are met. The Royal Australian Mint meets targets for operational efficiency and rate of return.

EVALUATIONS

Feedback will be sought from key clients on a regular basis on the effectiveness of policy advice.

In relation to companies regulation compensation payments to the States and the Northern Territory, there will be an evaluation of the accuracy of calculation and the timeliness of payments.

There is ongoing evaluation of foreign investment policy administration in the context of statutory deadlines and target response rates.

Results of evaluations will be presented, as appropriate, in the Department of the Treasury's Annual Report.

Section 3: Budgeted financial statements

The budgeted financial statements have been prepared in accordance with the goods and services tax (GST) accounting guidelines of the Urgent Issues Group (UIG) of the Australian Accounting Standards Board. The UIG consensus requires that expenses and assets be accounted for net of recoverable GST, revenues be accounted for net of GST payable and that cash flows and accounts payable and receivable be reported gross. Appropriations are thus net of recoverable GST amounts.

DEPARTMENTAL FINANCIAL STATEMENTS

Budgeted departmental statement of financial performance

This statement provides a picture of the expected financial results for the Department of the Treasury by identifying full accrual expenses, revenues and capital use charge, which highlights whether the Department is operating at a sustainable level.

Budgeted departmental statement of financial position

This statement shows the financial position of the Department of the Treasury. It helps decision-makers to track the management of assets and liabilities.

Budgeted departmental statement of cash flows

Budgeted cash flows, as reflected in the statement of cash flows, provide important information on the extent and nature of cash flows by categorising them into expected cash flows from operating activities, investing activities and financing activities.

Departmental capital budget statement

Shows all planned departmental capital expenditure (capital expenditure on non-financial assets), whether funded either through capital appropriations for additional equity or borrowings, or from funds from internal sources.

Departmental non-financial assets — summary of movement

Shows budgeted acquisitions and disposals of non-financial assets during the budget year.

NOTES OF ADMINISTERED ACTIVITY

Note of budgeted administered financial performance

This note identifies the main revenues and expenses administered on behalf of the Government. It also discloses administered revenues from government and transfers to the Public Account.

Note of budgeted administered financial position

This note shows the assets and liabilities administered on behalf of the Government.

Note of budgeted administered cash flows

This note shows cash flows administered on behalf of the Government.

Note of administered capital budget

This note shows details of planned administered capital expenditure.

Table 3.1: Budgeted Departmental Statement of Financial Performance *for the period ended 30 June*

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
Revenues from ordinary activities					
Revenue from government	87,409	(K1)(1) 98,784	99,668	98,866	101,464
Sales of goods and services	67,066	45,843	47,672	48,909	48,909
Interest and dividends	959	730	730	730	730
Proceeds from sales of assets	44	46	47	47	47
Net foreign exchange gains	-	-	-	-	-
Other	296	305	316	316	316
Total revenues from ordinary activities	155,774	145,708	148,433	148,868	151,466
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	53,079	62,217	63,432	62,265	64,004
Suppliers	98,305	79,209	80,533	81,492	82,351
Grants	-	-	-	-	-
Depreciation and amortisation	3,144	3,230	3,416	4,059	4,059
Write-down of assets	150	-	-	-	-
Value of assets sold	-	-	-	-	-
Net foreign exchange losses	-	-	-	-	-
Other	-	-	-	-	-
Total expenses from ordinary activities (excluding borrowing costs expense)	154,678	144,656	147,381	147,816	150,414
Borrowing costs expense	602	602	602	602	602
Net surplus or deficit from ordinary activities	494	450	450	450	450
Gain or loss on extraordinary items	-	-	-	-	-
Net surplus or deficit	494	450	450	450	450
Capital use charge	1,681	2,423	2,183	1,966	1,772
Net surplus or deficit after capital use charge	(1,187)	(1,973)	(1,733)	(1,516)	(1,322)

(1) K1 — shows the link back to Table 1.1.

Table 3.2: Budgeted Departmental Statement of Financial Position *as at 30 June*

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
ASSETS					
Financial assets					
Cash	9,971	9,726	8,769	7,873	7,873
Receivables	4,652	4,656	4,965	6,552	6,652
Investments	9,500	9,500	9,500	9,500	9,500
Accrued revenues	-	-	-	-	-
Other	-	-	-	-	-
Total financial assets	24,123	23,882	23,234	23,925	24,025
Non-financial assets					
Land and buildings	-	-	-	-	-
Infrastucture, plant and equipment	17,670	16,553	16,679	16,105	16,105
Inventories	14,736	15,900	15,500	15,500	15,500
Intangibles	3,029	2,916	2,874	2,889	2,689
Other	5,973	5,181	5,145	5,110	5,110
Total non-financial assets	41,408	40,550	40,198	39,604	39,404
Total assets	65,531	64,432	63,432	63,529	63,429
LIABILITIES					
Debt					
Loans	10,360	8,685	7,075	5,465	5,465
Leases	1,525	1,098	671	244	244
Deposits	-	-	-	-	-
Overdrafts	-	-	-	-	-
Other	-	-	-	-	-
Total debt	11,885	9,783	7,746	5,709	5,709
Provisions and payables					
Employees*	17,307	18,394	19,495	20,579	20,679
Suppliers	9,700	12,091	14,483	17,501	19,273
Grants	-	-	-	-	-
Other	2,190	2,140	1,865	1,863	1,863
Total provisions and payables	29,197	32,625	35,843	39,943	41,815
Total liabilities	41,082	42,408	43,589	45,652	47,524
EQUITY					
Capital	3,763	3,763	3,763	3,763	3,763
Reserves	3,713	3,713	3,713	3,713	3,713
Accumulated surpluses or deficits	16,973	14,550	12,367	10,401	8,629
Total equity	24,449	22,026	19,843	17,877	16,105
Current liabilities	21,773	22,476	23,102	24,196	25,188
Non-current liabilities	19,309	19,932	20,487	21,456	22,336
Current assets	41,940	41,236	40,596	40,659	40,595
Non-current assets	23,591	23,196	22,836	22,870	22,834

* No provision has been made for accrued leave entitlements for ATO officers transferred to Department of the Treasury as part of the taxation law design function.

Table 3.3: Budgeted Departmental Statement of Cash Flows
for the period ended 30 June

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
OPERATING ACTIVITIES					
Cash received					
Appropriations for outputs	87,409	98,784	99,668	98,866	101,464
Sales of goods and services	67,321	46,098	47,927	49,164	49,164
Interest	409	180	180	180	180
Other	635	646	658	658	658
Total cash received	155,774	145,708	148,433	148,868	151,466
Cash used					
Employees	52,468	61,056	62,257	61,868	63,490
Suppliers	87,516	72,622	73,599	74,579	74,294
Interest	602	602	602	602	602
Other	7,316	7,296	7,296	7,296	7,296
Total cash used	147,902	141,576	143,754	144,345	145,682
Net cash from operating activities	7,872	4,132	4,679	4,523	5,784
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	44	46	47	47	47
Other	3,935	-	-	-	-
Total cash received	3,979	46	47	47	47
Cash used					
Purchases of property, plant and equipment	4,545	2,000	3,500	3,500	4,059
Total cash used	4,545	2,000	3,500	3,500	4,059
Net cash from investing activities	(566)	(1,954)	(3,453)	(3,453)	(4,012)
FINANCING ACTIVITIES					
Cash used					
Repayments of debt	477	-	-	-	-
Capital use and dividends paid	1,681	2,423	2,183	1,966	1,772
Other	-	-	-	-	-
Total cash used	2,158	2,423	2,183	1,966	1,772
Net cash from financing activities	(2,158)	(2,423)	(2,183)	(1,966)	(1,772)
Net increase (decrease) in cash held	5,148	(245)	(957)	(896)	-
Cash at the beginning of the reporting period	4,823	9,971	9,726	8,769	7,873
Cash at the end of the reporting period	9,971	9,726	8,769	7,873	7,873

Table 3.4: Departmental Capital Budget Statement

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
PURCHASE OF NON CURRENT ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by departmental resources	3,935	2,000	3,500	3,500	3,500
Total	3,935	2,000	3,500	3,500	3,500

Table 3.5: Departmental Non-financial Assets — Summary of Movement (Budget year 2002-03)

	Land	Buildings	Total land and buidings	Specialist military equipment	Other infrastructure plant and equipment	Total infrastructure plant and equipment	Intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at the start of year	-	-	-	-	17,670	17,670	3,029	20,699
Additions	-	-	-	-	1,667	1,667	333	2,000
Disposals	-	-	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Net transfers free of charge	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	-	(2,784)	(2,784)	(446)	(3,230)
Write-off of assets	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	-	-	-	16,553	16,553	2,916	19,469
Total additions								
Self funded	-	-	-	-	1,667	1,667	333	2,000
Appropriations	-	-	-	-	-	-	-	-
Total	-	-	-	-	1,667	1,667	333	2,000

Table 3.7: Note of Budgeted Financial Performance Administered on behalf of Government *for the period ended 30 June*

	Estimated actual 2001-02 $'000	Budget estimates 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
REVENUES					
Taxation					
Other taxes, fees and fines	(27,630,000)	(29,690,000)	(31,310,000)	(33,090,000)	(34,970,000)
Total taxation	(27,630,000)	(29,690,000)	(31,310,000)	(33,090,000)	(34,970,000)
Non-taxation					
Revenue from government	31,981,633	(K2)[1] 32,095,501	33,164,421	34,437,067	36,439,831
Sales of goods and services	517,155	558,600	570,900	582,300	595,000
Interest	13,135	11,868	7,991	3,637	479
Dividends	2,833,702	1,800,000	1,600,000	1,600,000	1,600,000
Net foreign exchange gains	88,521	-	-	-	-
Other sources of non-taxation revenues	242,659	165,788	149,825	152,249	150,747
Total non-taxation	35,676,805	34,631,757	35,493,137	36,775,253	38,786,057
Total revenues administered government	8,046,805	4,941,757	4,183,137	3,685,253	3,816,057
EXPENSES					
Grants	4,512,509	2,678,784	2,028,655	1,522,371	1,646,135
Net foreign exchange movements	-	98,170	-	-	-
Other	82,812	36,717	35,766	34,696	33,696
Total expenses administered on behalf of government	4,595,321	2,813,671	2,064,421	1,557,067	1,679,831

(1) K2 — shows the link back to Table 1.1.

Table 3.8: Note of Budgeted Financial Position Administered on behalf of Government *as at 30 June*

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
ASSETS					
Financial assets					
Cash	2,599	2,599	2,599	2,599	2,599
Receivables	345,395	(164,580)	(530,267)	(858,461)	(1,122,187)
Investments	16,650,921	16,535,088	16,535,088	16,535,088	16,535,088
Total financial assets	16,998,915	16,373,107	16,007,420	15,679,226	15,415,500
Non-financial assets					
Other	1,186	355	51	15	15
Total non-financial assets	1,186	355	51	15	15
Total assets administered on behalf of government	17,000,101	16,373,462	16,007,471	15,679,241	15,415,515
LIABILITIES					
Interest bearing liabilities					
Loans	5,158,265	5,152,933	5,148,277	5,143,622	5,141,350
Other	1,148,231	1,131,390	1,131,390	1,131,390	1,131,390
Total interest bearing liabilities	6,306,496	6,284,323	6,279,667	6,275,012	6,272,740
Provisions and payables					
Grants	522,274	369,205	274,969	218,326	176,904
Other	(65,285)	(79,197)	(88,706)	(95,796)	(96,715)
Total provisions and payables	456,989	290,008	186,263	122,530	80,189
Total liabilities administered on behalf of government	6,763,485	6,574,331	6,465,930	6,397,542	6,352,929
Current liabilities	22,415	17,653	13,915	10,628	7,694
Non-current liabilities	6,741,070	6,556,678	6,452,015	6,386,914	6,345,235
Current assets	118,306	(52,535)	(175,040)	(284,985)	(373,334)
Non-current assets	16,881,795	16,425,997	16,182,511	15,964,226	15,788,849

Table 3.9: Note of Budgeted Administered Cash Flows
for the period ended 30 June

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
OPERATING ACTIVITIES					
Cash received					
Cash from Official Public Account	32,078,117	32,246,112	33,256,157	34,491,210	36,478,753
Interest and dividends	2,857,692	1,811,868	1,607,991	1,603,637	1,600,479
Other	698,476	716,443	716,153	732,228	744,828
Total cash received	35,634,285	34,774,423	35,580,301	36,827,075	38,824,060
Cash used					
Grants	4,604,047	2,829,353	2,120,391	1,576,514	1,685,057
Cash to Official Public Account	3,556,168	2,528,311	2,324,144	2,335,865	2,345,307
Other	27,474,070	29,416,759	31,135,766	32,914,696	34,793,696
Total cash used	35,634,285	34,774,423	35,580,301	36,827,075	38,824,060
Net cash from operating activities	-	-	-	-	-
INVESTING ACTIVITIES					
Cash received					
Cash from Official Public Account	16,268	11,986	11,889	11,888	4,772
Total cash received	16,268	11,986	11,889	11,888	4,772
Cash used					
Other	16,268	11,986	11,889	11,888	4,772
Total cash used	16,268	11,986	11,889	11,888	4,772
Net cash from investing activities	-	-	-	-	-
FINANCING ACTIVITIES					
Cash received					
Other	-	49,246	64,051	64,051	14,804
Total cash received	-	49,246	64,051	64,051	14,804
Cash used					
Cash to Official Public Account	-	49,246	64,051	64,051	14,804
Total cash used	-	49,246	64,051	64,051	14,804
Net cash from financing activities	-	-	-	-	-
Net increase (decrease) in cash held					
Cash at beginning of reporting period	2,599	2,599	2,599	2,599	2,599
Administered cash at end of reporting period	2,599	2,599	2,599	2,599	2,599

Table 3.10: Note of Administered Capital Budget

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
CAPITAL APPROPRIATIONS					
Administered capital	9,661	7,330	7,233	7,233	4,772
Special appropriations	99,298	155,225	96,392	58,798	38,922
Total	108,959	(K3)[1] 162,555	103,625	66,031	43,694
Represented by:					
Purchase of financial assets	108,959	162,555	103,625	66,031	43,694
Total	108,959	162,555	103,625	66,031	43,694

(1) K3 — shows the link back to Table 1.1.

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The Department of the Treasury's budget statements have been prepared on an accrual basis in accordance with historical cost convention, except for certain assets which are at valuation.

All financial information presented in the statements represents the net cost to the Commonwealth; the figures are exclusive of any GST which may be payable by the Commonwealth and which is recoverable as an input tax credit.

Departmental and administered financial statements

Under the Commonwealth's accrual budgeting framework, and consistent with Australian Accounting Standards, transactions that agencies control (departmental transactions) are separately budgeted for and reported on from transactions agencies do not have control over (administered transactions). This ensures that agencies are only held accountable for the transactions over which they have control.

Departmental assets, liabilities, revenues and expenses in relation to an agency are those which are controlled by the agency. Departmental expenses include employee and supplier expenses and other administrative costs, which are incurred by the agency in providing its goods and services.

Administered items are revenues, expenses, assets or liabilities which are managed by an agency on behalf of the Government according to set Government directions. Administered expenses include subsidies, grants, and personal benefit payments and administered revenues include taxes, fees, fines and excises.

Royal Australian Mint

The Department of the Treasury's departmental budget statements are aggregated to include the financial operations of the Royal Australian Mint (RAM). Any profit earned by RAM, taking into account working capital requirements, is returned to the Commonwealth.

Seignorage is collected by RAM on behalf of the Commonwealth. Seignorage represents the difference between the face value of coinage sold to the Reserve Bank of Australia and its cost of production to RAM. Seignorage is treated as an administered item within the Department of the Treasury budget statements.

Capital use charge

A capital use charge is levied on the Department of the Treasury to reflect the cost of the Commonwealth's investment in the Department of the Treasury. It is levied on the closing balance of departmental net assets (equity) at a rate of 11 per cent.

Funding for the capital use charge is included in the departmental price of outputs appropriation. The capital use charge is accounted for as a 'below operating result line' expense.

GST revenue payments

For constitutional reasons the GST is levied by the Commonwealth, and can therefore be technically considered Commonwealth revenue under the reporting standards. However the clear policy intent of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA) is that it is a State tax collected by the Commonwealth in an agency capacity. Accordingly, GST payments are treated as negative revenue in these financial statements representing the transfer of taxes to State and Territory Governments. This fully offsets GST revenue recorded by the Australian Taxation Office so that at a consolidated level the GST is not recorded as Commonwealth revenue.

APPENDIX 1: DEPARTMENTAL AND ADMINISTERED REVENUE

Departmental and administered revenue

	Estimated revenue 2001-02 $'000	Estimated revenue 2002-03 $'000
DEPARTMENTAL REVENUE		
Non-appropriation departmental revenue		
Departmental section 31 receipts	3,042	3,042
Royal Australian Mint revenue	65,323	43,882
Total non-appropriation departmental revenue	68,365	46,924
Appropriation revenue	87,409	98,784
Total departmental revenue	155,774	145,708
ADMINISTERED REVENUE		
Non-appropriation administered revenue		
A New Tax System		
(Commonwealth-State Financial Arrangements) Act 1999		
— GST revenue	(27,630,000)	(29,690,000)
Interest and dividends	2,846,837	1,811,868
Foreign exchange gains	88,521	-
GST administration fees	517,155	558,600
Housing Loans Insurance Corporation		
— recoveries from old book stock and premiums	22,499	8,763
Other	42,808	-
Postal services regulation	1,000	1,000
Receipts under the *International Monetary Agreements Act 1947*	52,431	47,587
Royal Australian Mint — monies in excess of requirements	122,558	107,138
Seigniorage payments — Gold Corporation	1,363	1,300
Total non-appropriation administered revenue	(23,934,828)	(27,153,744)
Administered appropriation revenue	31,981,633	32,095,501
Total administered revenue	8,046,805	4,941,757
Total estimated revenue	8,202,579	5,087,465

APPENDIX 2: ESTIMATES OF EXPENSES FROM SPECIAL APPROPRIATIONS

Estimates of expenses from special appropriations

	Estimated expenses 2001-02 $'000	Estimated expenses 2002-03 $'000
Estimated expenses		
Appropriation (HIH Assistance) Act 2001	42,535	-
International Monetary Agreements Act 1947	28,277	123,887
A New Tax System		
(Commonwealth-State Financial Arrangements) Act 1999	4,013,229	2,480,998
Total estimated expenses	4,084,041	2,604,885